

City of Seattle Voluntary Deferred Compensation Plan Regular Trust Committee Meeting Minutes

Wednesday, May 31, 2017 10:00 am – 12:00 pm
Seattle Municipal Tower, Room 4080

TRUSTEES present: Teri Allen, Bill Alves, Susan Coskey, Scott Fuquay, Jeff Davis, Glenn Lee, and Brian Smith

STAFF present: Renee Freiboth, SDHR; Michelle Ell, SDHR; Tony Dozier; SDHR; Carlton Seu, CAO

CONSULTANTS present: Jake O'Shaughnessy & Stuart Payment, SageView Advisory Group; Michael Monaco & Gavin Parr, Mondress, Monaco, Parr, Lockwood

GUESTS present: Kent Morris, Kristopher Morton, Susan Wilson, and Andee Gravitt from Nationwide; Dena Herbolich, Moss Adams; George Emerson, FAS

BUSINESS

Opening: Teri Allen, the Committee Chair, started the meeting at 10:00 am.

Introductions: All attendees introduced themselves.

Public Comment: There were no public comments.

Minutes of March 29, 2017 Regular Meeting: Teri asked for a review of these meeting minutes. As there was no objection, the meeting minutes were deemed accepted as written.

Staff Updates: Michelle Ell introduced Tony Dozier as the new Deferred Compensation Analyst. She also stated that the annual NAGDCA conference will be held September 24-27 in Milwaukee, Wisconsin. Any committee members that would like to attend should reach out to Deferred Compensation Plan Staff.

Moss Adams – 2015 Audit Results: Dena Herbolich of Moss Adams explained that the audit was delayed due to competing priorities, including staffing changes at both Moss Adams and the City and plan transition activities. She provided an overview of the steps in the audit process and presented an unqualified clean opinion on the Plan's financial statements with no findings of any material weaknesses in internal controls. Planning for the 2016 Audit will be underway soon.

SageView Advisory:

In general, Plan investment performance was very strong, with 100% of the actively managed funds in the Plan performing above the median of their Peer Group over the 10-year period ending 3/31/2017. Jake informed the committee that the Calvert Equity Fund (ticker: CEYIX) had recently paid a large SEC settlement, is undergoing a change in management, and is underperforming against other funds over the 1, 3, 5, and 7- year periods as of 3/31/2017. Due to these developments, he recommended that the Calvert Equity Fund be put on Watch. Scott

Fuquay asked about the implications for putting the fund on watch. Jake explained that fiduciaries are not obligated to take any particular action once a fund is put on watch. Bill Alves mentioned the fund is sufficiently different from other Large Cap funds so perhaps it should be tracked against a different index. Jake also mentioned that the Vanguard Total International Stock fund now holds enough assets to allow the plan to move from the Investor share class (VGTSX) to the Admiral share class (VTIAX).

MOTION: Bill Alves moved to add the Vanguard Total International Stock Fund Admiral shares to the plan lineup and move all existing Vanguard Total International Stock Fund Investor share class balances, as well as future investment deferrals, to the Admiral share class as soon as administratively feasible. Scott Fuquay seconded the motion. Motion passed unanimously.

Recordkeeper transition: Michelle stated that the account transfer process is going as planned, with no significant issues anticipated. -- the plan is on track to be live at Nationwide early in the morning on Friday June 9, 2017. Attendance at the transition meetings has been great, and the lease for the Nationwide office has been signed.

Nationwide Security Amendment: Mike Monaco of MMPL discussed the amendment to the Nationwide Administrative Service Agreement, which enhanced security language. Nationwide has agreed to five additional responsibilities which add reasonable and very strong security protections for the plan.

Executive Session: Teri Allen moved the meeting into Executive Session to discuss litigation or legal risks of a proposed action or current practice. The Executive Session commenced at approximately 11:05 and concluded at 11:58am.

MOTION: Brian Smith moved to place the Calvert fund on watch. Jeff Davis seconded the motion. Motion passed unanimously.

MOTION: Susan Coskey moved that Deferred Compensation staff, along with FAS and SCERS, research the feasibility of implementing the SRI investment structure as outlined by legal counsel. Brian Smith seconded the motion. Motion passed unanimously.

Adjournment: Teri Allen moved to adjourn the meeting at 12:04. The meeting was adjourned without objection.

Next Meeting: The next regular meeting is scheduled for Wednesday, July 26, 2017 at 10:00am in the Seattle Municipal Tower, Conference Room 4080.